

CONFIDENTIAL

Legislative Counsel

4 October 1955

Comptroller

Proposed Changes in Legislation

1. It is requested that appropriate steps be taken to obtain the following amendments to Public Law 110, 81st Congress, as amended by Public Law 697, 81st Congress and Public Law 53, 82nd Congress, when it is determined appropriate to request additional legislation specifically identified as CIA legislation.

2. The last sentence of Section 6 (a) should be amended by adding the words "will be available to the Agency until expended" after the word "paragraph", and inserting the word "other" between the words "to limitations". Thus, the last sentence would read as follows: "Sums transferred to the Agency in accordance with this paragraph will be available to the Agency until expended and may be expended for the purpose and under the authority of this Act without regard to other limitations of appropriations from which transferred. (Amendments underscored.)

3. This change is recommended as being beneficial to the Agency and the U.S. Government for a number of reasons.

a. When CIA was established, an informal agreement with the Appropriation Committees, the Bureau of the Budget, and the General Accounting Office was made in which it was agreed that all funds made available to the Agency would be treated as annual appropriations. This policy was followed until the appropriations were made for the Fiscal Year 1955, at which time the policy was brought up for discussion and it was decided that funds which had been originally appropriated on a "No Year" basis could be carried over for use during the following fiscal year with specific annual approval of the Appropriation Committees. Thus, the control originally established under the above informal agreement is being maintained. This was done in connection with the funds appropriated for the Fiscal Years 1953 and 1954. In order to assure availability of appropriations on this basis, all funds appropriated to the Agency for Fiscal Year 1956 were included in "No Year" appropriation items. There are but few "No Year" accounts available in the Government of sufficient magnitude

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c. For operational reasons it is essential that a Reserve for Contingencies be available to the Agency to be used only with the concurrence of the Bureau of the Budget. Funds available on a "No Year" basis provides for such reserves and, at the same time, minimizes appropriations to those actually needed for the operation of the Agency after the initial establishment of the reserve.

d. Prior to the present procedures in which funds appropriated in a "No Year" account could be carried over for use during the following fiscal year with the appropriate approvals, the lapsing of unexpended balances of the fiscal year appropriations into the U.S. Treasury presented certain security problems in that it was difficult to cloak such transactions as usual Governmental activities. These problems are avoided by carrying unobligated funds forward from year to year.

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e. In addition, covert contractual commitments of the Agency, principally those involving research and development contracts which are not completed and/or settled within the statutory three years could, under the above legislation, be completely settled from Agency funds as contrasted with the present requirements of forwarding claims under such contracts that extend beyond three years to the General Accounting Office for settlement from the Certified Claims Account of the U.S. Treasury. The present procedure presents certain security problems which would be resolved by the proposed legislation.



E. R. SAUNDERS

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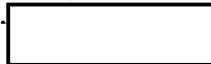
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ROUGH DRAFT:CMN:har
21 Sept. 1955

MEMORANDUM FOR: Legislative Council

SUBJECT : Proposed Changes in Legislation

1. It is requested that appropriate steps be taken to obtain the following amendments to Public Law 110, 81st Congress, as amended by Public Law 697, 81st Congress and Public Law 53, 82nd Congress, when it is determined appropriate to request additional legislation specifically identified as CIA legislation.

2. The last sentence of Section 6 (a) should be amended by adding the words "will be available to the Agency until expended" after the word "paragraph", and inserting the word "other" between the words "to limitations". Thus, the last sentence would read as follows: "Sums transferred to the Agency in accordance with this paragraph will be available to the Agency until expended and may be expended for the purpose and under the authority of this Act without regard to other limitations of appropriations from which transferred. (Amendments under-scored.)

3. This change is recommended as being beneficial to the Agency and the U. S. Government for a number of reasons.

(1) When CIA was established, an informal agreement with the Appropriation Committees, the Bureau of the Budget, and the General Accounting Office was made in which it was agreed that all funds made available to the Agency would be treated as annual appropriations. This policy was followed until the appropriations were made for the Fiscal Year 1955, at which time the policy was brought up for discussion and it was decided that funds which had been originally appropriated on a "No Year" basis could be carried over for use

during the following fiscal year with specific annual approval of the Appropriation Committees. Thus the control originally established under the above informal agreement is being maintained. This was done in connection with the funds appropriated for the Fiscal Years 1954 and 1955. In order to assure availability of appropriations on this basis, all funds appropriated to the Agency for Fiscal Year 1956 were included in "No Year" appropriation items. There are but few

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~~It is believed highly desirable to have these carry-over provisions for a number of budgetary and operating reasons. These include:~~

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() ~~2.~~ Funds appropriated to the Agency are,
"expended" insofar as the overall budget of the Federal Government is concerned. Unused balances which are not available for use in subsequent fiscal years are deposited as budgetary receipts into the U. S. Treasury. Thus, by having funds available for obligation

in subsequent fiscal years, both receipts and expenditures as reflected in the Federal budget are not over-stated to the extent of unused balances available to the Agency on an annual basis.

~~2~~ For operational reasons it is essential that a Reserve for Contingency be available to the Agency to be used only with the concurrence of the Bureau of the Budget. Funds available on a "No Year" basis provides for such reserves and, at the same time, minimizes appropriations to those actually needed for the operation of the Agency after the initial establishment of the reserve.

~~2~~ Prior to the present procedures in which funds appropriated in a "No Year" account could be carried over for use during the 25X1 following fiscal year with the appropriate approvals, the lapsing



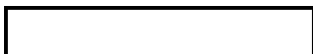
These problems are avoided by carrying unobligated funds forward from year to year.

~~2~~ In addition, covert contractual commitments of the Agency, principally those involving research and development contracts which are not completed and/or settled within the statutory three years could, under the above legislation, be completely settled from Agency funds as contrasted with the present requirements of forwarding claims under such contracts that extend beyond three years to the 25X1 General Accounting Office for settlement from the Certified Claims Account of the U. S. Treasury.

certain security problems which



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E. R. SAUNDERS
Comptroller

Ref-45-5

TO: Legislative Council

FROM: Comptroller

SUBJECT: Proposed Changes in Legislation

1. It is requested that appropriate steps be taken to obtain in the next legislative session of Congress the following amendments to Public Law 110, 81st Congress as amended by Public Law 697, 81st Congress and Public Law 53, 82nd Congress.

- a. Amend Section 6a by adding the following. . . "and such sums shall be available to carry out the activities of the Agency until expended and shall not be subject to fiscal year limitations."

This requested change will be beneficial to the Agency and the United States Government for the following reasons:

- (1) It will permit and enable the Agency to carry forward each fiscal year the remaining unobligated balances which will result in Congress only being required to appropriate the difference between the amount approved ^{in the amount} for the ensuing year and the ^{carried forward} unobligated balance.
- (2) In instances where the remaining reserve for contingencies ^{is} greater than will be required for the ensuing year, adjustment ^{should} be made between such remaining reserve and the unobligated balance of regular funds, thereby further contributing to reducing the amount to be appropriated by Congress as described in (1) above.
- (3) The present requirement for lapsing unexpended balances of fiscal year appropriations into the U. S. Treasury will be eliminated and

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- (4) Contractual commitments of the Agency, principally those involving research and development contracts, which are not completed ^{and/or settled} within three years can be completely settled from Agency funds as contrasted with the present procedure of forwarding such payments that extend beyond three years to the General Accounting Office for settlement from the Certified Claims Account of the U. S. Treasury. This will

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(5)

- (6) ^{The proposed change} It will simplify allotment accounting procedure within the Agency since it will permit a single continuous record of all obligations and expenditures for each covert operation rather than a separate record for each fiscal year. This would provide the desired continuity to fiscal operations and ^{will} ~~work~~ in no way minimize control over these operations.

The first step to solving some of the above described problems was taken in connection with the Appropriation Hearing on the budget for the fiscal year 1955 at which time a request was made that a reduction be made in appropriations for use of the Agency and that authority be granted to carry over funds appropriated in prior years in like amounts. The Committee considered this matter, reduced the appropriation request by a given amount

and authorized the carrying forward of an equal amount which had been originally appropriated in the Appropriations available until expended to finance CIA operations for the fiscal years 1953 and 1954. This ILLEGIB action improved the situation by reducing the then unexpended balance, [REDACTED] but did not entirely solve the problem of lapsing unexpended appropriations. [REDACTED]

also
A This action has substantially reduced the amount of operations in excess of the actual amounts required for operations but unless no-year funds are made available as proposed in the above amendment, funds will again increase beyond the actual requirements of the Agency. ILLEGIB

b. Amend Section 6 by adding the following paragraph g:

"g. Establish and maintain a 'Procurement Revolving Fund' from funds made available to the Agency and in amounts as approved by the Bureau of the Budget. Such revolving fund ~~can~~ be sustained by repayments resulting from procurement issuances, any other increments accruing from expenditure of the fund and/or when necessary, and as approved by the Bureau of the Budget, ~~by any funds~~ from other available funds."

This proposed change will be beneficial to the Agency since it will establish a revolving fund in lieu of the present method of having to advance funds from the many Agency components to a centralized procurement account which is very burdensome and complex in operation.

E. R. SAUNDERS

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